

## Community resources

[Follow us on Twitter](#) [Check our Reddit](#) [Twitter this](#) [Digg this page](#) [Contact us on IRC](#)

*courage is contagious*

## Viewing cable 09LIMA146, GARCIA AT THE HALF-WAY MARK

If you are new to these pages, please read an introduction on the [structure of a cable](#) as well as how to [discuss them](#) with others. See also the [FAQs](#)

### Understanding cables

Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

### Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#09LIMA146**.

Reference ID	Created	Released	Classification	Origin
<a href="#">09LIMA146</a>	<a href="#">2009-02-03 22:13</a>	<a href="#">2011-08-30 01:44</a>	<a href="#">CONFIDENTIAL</a>	<a href="#">Embassy Lima</a>

Appears in these articles:

[www.elcomercio.pe](#)

P 032213Z FEB 09  
FM AMEMBASSY LIMA  
TO SECSTATE WASHDC PRIORITY 9983  
INFO AMEMBASSY ASUNCION PRIORITY  
AMEMBASSY BOGOTA PRIORITY  
AMEMBASSY BRASILIA PRIORITY  
AMEMBASSY BUENOS AIRES PRIORITY  
AMEMBASSY CARACAS PRIORITY  
AMEMBASSY LA PAZ PRIORITY  
AMEMBASSY MONTEVIDEO PRIORITY  
AMEMBASSY QUITO PRIORITY  
AMEMBASSY SANTIAGO PRIORITY  
NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY  
USCINCSO MIAMI FL PRIORITY

C O N F I D E N T I A L LIMA 000146

E.O. 12958: DECL: 02/03/2029  
TAGS PGOV, PREL, SNAR, PINR, ECON, EFIN, ETRD, PE  
SUBJECT: GARCIA AT THE HALF-WAY MARK

Classified By: DCM James Nealon for reasons 1.4(c) and (d).

¶1. (C) Summary: At the ...

id: 190261  
date: 2/3/2009 22:13  
refid: 09LIMA146

origin: Embassy Lima  
classification: CONFIDENTIAL  
destination:  
header:  
P 032213Z FEB 09  
FM AMEMBASSY LIMA  
TO SECSTATE WASHDC PRIORITY 9983  
INFO AMEMBASSY ASUNCION PRIORITY  
AMEMBASSY BOGOTA PRIORITY  
AMEMBASSY BRASILIA PRIORITY  
AMEMBASSY BUENOS AIRES PRIORITY  
AMEMBASSY CARACAS PRIORITY  
AMEMBASSY LA PAZ PRIORITY  
AMEMBASSY MONTEVIDEO PRIORITY  
AMEMBASSY QUITO PRIORITY  
AMEMBASSY SANTIAGO PRIORITY  
NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY  
USCINCSO MIAMI FL PRIORITY

----- header ends -----

C O N F I D E N T I A L LIMA 000146

E.O. 12958: DECL: 02/03/2029  
TAGS PGOV, PREL, SNAR, PINR, ECON, EFIN, ETRD, PE  
SUBJECT: GARCIA AT THE HALF-WAY MARK

Classified By: DCM James Nealon for reasons 1.4(c) and (d).

¶1. (C) Summary: At the half-way point in President Garcia's term, the political balance is mixed but positive overall. On the plus side, Garcia has demonstrated sound economic and disciplined fiscal management, including in the face of the global crisis. He has conducted a pragmatic foreign policy, whose centerpiece is the U.S.-Peru Trade Promotion Agreement (PTPA), while seeking to strengthen Peru's ties with like-minded neighbors and key European and Asian partners. These accomplishments, coupled with a mild leftward shift, have fueled a recent rise in the President's poll numbers. On the other side of the ledger, notwithstanding the government's expressed intentions and political will, weak institutions continue to hamper public service delivery and to complicate Garcia's ability to confront thorny problems, including drug trafficking and terrorism. In addition, the ongoing eavesdropping scandal could yet cause the government further problems (septel). Garcia's challenge remains clear: expand the system's reach and representation, and thereby reduce the political space for the many anti-systemic elements plotting for 2011 -- it remains a close call. End Summary.

#### Sound Economic Management

¶2. (C) At the half-way point of his second term, President Garcia has dispelled some personal demons and showed he has learned from past mistakes. (His first term, 1985-90, is widely seen as a disaster -- plagued by economic mismanagement, foreign policy miscalculations and a failure to stem the rising tide of terrorism.) While die-hard Garcia skeptics claim to discern disturbing parallels between his first term as President and the present one, the political balance now is positive overall. For one, Garcia has overcome lingering doubts regarding the depth of his economic conversion by demonstrating sound economic management and a disciplined approach to government spending. He has presided over a period of unprecedented growth (over 9% in 2008) and relatively low inflation -- the highest and lowest in the region respectively. These positive numbers began to significantly reduce Peru's endemic poverty, which fell from over 44% in 2005 to 39% in 2007. Garcia has also been an impassioned cheerleader for investment-led growth, confronting a deep-seated historical mindset that sees the state as benefactor and principal motor of development. Even in the face of the global economic crisis of uncertain depth and scope, President Garcia has followed a fiscally prudent course while using the significant reserves accumulated in

the boom years in shaping a public stimulus plan whose launch will be calibrated to the crisis's (likely rising) impacts on Peru. Corruption remains a widely discussed concern and a top government priority, but few concrete cases have emerged to date, notwithstanding constant media coverage of the ongoing phone-tap scandal.

#### Pragmatic Foreign Policy

-----

13. (C) Pragmatism has also marked Garcia's foreign policy, in which Peru's economic interests have shared a leading role with geo-political strategy. The U.S.-Peru Trade Promotion Agreement (PTPA), entered into force February 1, has been the centerpiece of the government's trade-friendly foreign policy aimed at integrating Peru into the broader international economic system. In parallel, Garcia has sought to strengthen Peru's ties with like-minded neighbors such as Chile, Colombia and Mexico via bilateral efforts, trade agreements, and regional initiatives such as the "Arc of the Pacific." He has also intensified Peru's commercial relations with regional leaders like Brazil, and sought to woo fence-sitters, particularly Ecuador. Finally, he has kept at arm's length the volatile populist governments of Venezuela and Bolivia. To mark distance from UNASUR, Garcia has sent an envoy to the organization's presidential level meetings. He was also a no-show at the Brazil Summit.

14. (C) Peru's role as host of two successful high-profile international conferences -- the EU-LAC Summit in May and the APEC summit in November -- also enabled the Garcia government to project a positive image of the country onto the global stage. This has produced some concrete benefits. After much back and forth, in late 2008 the EU agreed to pursue negotiations on a comprehensive agreement, which includes a free trade component, with Peru outside the Andean Community framework. President Garcia has also demonstrated a keen personal interest in expanding Peru's commercial and other ties with Asia, particularly China, with which Peru is completing a free trade agreement. He is tentatively scheduled to visit Japan, Korea and China in early March -- for the second time this term -- to underscore his interest in deepening Peru's engagement in that dynamic region.

#### A Rise in Polls

-----

15. (C) The government's accomplishments in maintaining stability, successfully carrying out two international summits, and securing implementation of the long-awaited US-PTPA have probably contributed to a recent rise in Garcia's nationwide poll numbers -- from below 20% in October to 28% in January (35% in Lima). (President Toledo's support was in the single digits at this point of his term.) Some analysts believe the dip in inflation -- a central cause of his earlier falling numbers -- has also played a role. Political insiders also credit Garcia's calculated shift to the left to reclaim the center and stem his fall in the polls. In doing this, he has sought to distance himself from his image as "president of the rich" (whom he spent his first two years successfully cultivating) while moving closer to the "people." This shift is reflected in Garcia's choice of Yehude Simon to succeed Jorge del Castillo as PM, in a series of public events in which he has been seen mingling with the common folk, and in periodically announcing high-profile public-works projects -- water, roads, energy -- in poor areas throughout the country.

#### Serious Challenges Remain

-----

16. (C) Notwithstanding the government's expressed intention to improve public services, weak and even dysfunctional state institutions continue to hamper basic service delivery and undermine public confidence. This challenge is particularly worrying in politically vulnerable regions where the state is largely absent and the anti-systemic opposition is strong. Some critics complain that Garcia has not made a serious attempt at state reform. As for the ongoing decentralization process in which Garcia has invested a great deal of time, energy and political capital, it so far has brought mixed

results, sometimes exacerbating rather than mitigating the state's underlying structural dysfunctions. Much will depend on how this process plays out in the remaining half of Garcia's tenure.

17. (C) Meantime, the country's public education, health care and transportation infrastructure, in spite of significant increases in social spending and whatever the diverse improvements, remain under-equipped to address the real challenges and fall short of meeting popular expectations. Echoing a long-standing lament, his detractors claim Garcia tends to promise more than he can deliver, to continually repackage past promises into seemingly new proposals, and to focus more on publicly launching projects than on ensuring their bureaucratic follow-through. All this results in a pattern of expectations raised and then dashed -- a recipe (in the view of critics) for rising frustration.

18. (C) Peru's deficient state mechanisms have complicated Garcia's ability to confront some of Peru's profound structural challenges. The recent national police operation to remove squatters from public land in the northern region of Lambayeque, which resulted in three dead police officers, underscores the problem of weak state authority confronting difficult and sometimes dangerous actors and situations. The Garcia government has made a more serious effort to combat drug-trafficking than its predecessor -- including by launching a National Anti-Drug Strategy partly supported with its own budget -- and that effort has scored some notable successes. Rural communities in the San Martin region that have turned from coca production to licit lifestyles are an illustrative case in point. That said, coca production and drug trafficking throughout Peru have probably expanded somewhat over the past 30 months, and the government's continuing efforts need strong reinforcement to ensure a more enduring success. Similarly, in late 2008 the Army launched a long-delayed operation to challenge remnants of the Sendero Luminoso (SL) terrorist group on their home turf in the emergency VRAE region, but many critics believe the scope of the operation has been unequal to the task and will have little permanent effect unless it is significantly expanded. Bringing the necessary urgency, focus and resources to bear will be paramount in meeting this challenge.

#### Unfolding Wire-tap Scandal

19. (C) In addition, the ongoing eavesdropping scandal could yet undermine Peru's forward progress. The initial round of the scandal, in which several figures with government connections were caught in secretly taped telephone conversations apparently greasing the skids for deals involving oil block concessions, caused the collapse of Garcia's first cabinet. The current round, in which some of the wire-tappers-for-hire have been identified and additional tape recordings have come to light, is still unfolding. Notwithstanding the almost relentless media coverage over the past six weeks, so far there has been no smoking gun or evidence of fire. Little has come to light that directly implicates government officials in any legally actionable corrupt act, no suitcase of cash or illegal bank account. That said, the whiff of corruption is strong, and the impression that private interests prey upon public institutions and trust pervasive. There is also a lingering concern that information yet to come to light could cause further problems for the government.

#### Comment: Still a Close Call

10. (C) Garcia's challenge remains clear: expand the system's reach and representation, consolidate the still fragile trade- and investment-friendly policy consensus, and thereby reduce the political space for the many anti-systemic elements plotting for 2011 -- the year of the next general elections. Given the positive but still ambivalent results of President Garcia's first 30 months and the increasingly complicated imperatives of latter-term, pre-electoral politics, it remains a close call.

MCKINLEY

=====CABLE ENDS=====